

BEFORE THE TENNESSEE REGULATORY AUTHORITY AT

NASHVILLE, TENNESSEE

April 30, 2002

IN RE:

PETITION OF TENNESSEE-AMERICAN WATER
COMPANY FOR APPROVAL OF THE MERGER OF ITS
PARENT, AMERICAN WATER WORKS COMPANY,
INC., WITH A SUBSIDIARY OF RWE
AKTIENGESELLSCHAFT

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DOCKET NO.
02-00273

AMENDED ORDER APPROVING TRANSFER OF AUTHORITY

This matter came before the Tennessee Regulatory Authority (the "Authority") at the regularly scheduled Authority Conference held on April 16, 2002 for consideration of the *Petition* (the "*Petition*") of Tennessee-American Water Company ("Tennessee-American"), pursuant to the provisions of Tenn. Code Ann. § 65-4-113, for an amended order approving the merger of its parent, American Water Works Company, Inc. ("AWW") into a subsidiary of RWE Aktiengesellschaft ("RWE").

Requirement of and Standards for Authority Approval

Tenn. Code Ann. § 65-4-113 requires a public utility to obtain Authority approval to transfer its authority to provide utility services. Tenn. Code Ann. § 65-4-113(a) provides as follows:

(a) No public utility, as defined in § 65-4-101, shall transfer all or any part of its authority to provide utility services, derived from its certificate of public convenience and necessity issued by the authority, to any individual, partnership, corporation or other entity without first obtaining the approval of the authority.

Tenn. Code Ann. § 65-4-113(b) provides the standards by which the Authority shall consider an application for transfer of authority, in pertinent part, as follows:

(b) Upon petition for approval of the transfer of authority to provide utility services, the authority shall take into consideration all relevant factors, including, but not limited to, the suitability, the financial responsibility, and capability of the proposed transferee to perform efficiently the utility services to be transferred and the benefit to the consuming public to be gained from the transfer. . . .

The Petition

In the *Petition*, which was filed on March 15, 2002, Tennessee-American requests that the Authority approve the transfer of ownership of AWW to Thames Water Aqua Holdings GMBH ("Thames Holdings"), a subsidiary of RWE, or any other entity owned or controlled, directly or indirectly, by Thames Holdings and managed by Thames Water Plc ("Thames Water"), as well as the resulting transfer of authority to provide utility services. The *Petition* states that Tennessee-American is a Tennessee corporation that holds a certificate of public convenience and necessity authorizing it to provide water service in the City of Chattanooga, Tennessee and certain surrounding areas.

The *Petition* states that AWW is a Delaware corporation that owns all of the outstanding stock of Tennessee-American. Further, the *Petition* states that RWE, a company organized under the laws of the Federal Republic of Germany, owns all of the outstanding stock of Thames Holdings, also a company organized under the laws of the Federal Republic of Germany. Thames Holdings owns all of the outstanding stock of Thames Water, a public limited corporation organized under the laws of England and Wales. Thames Holdings also owns all of the outstanding stock of Apollo Acquisition Company ("Apollo"), a Delaware corporation.

According to the *Petition*, AWW, RWE and Apollo have entered into an agreement and Plan of Merger dated September 15, 2001 (the "Merger Agreement"), under which AWW will merge into Apollo, with AWW as the surviving corporation and a wholly-owned subsidiary of Thames Holdings which, in turn, is a wholly-owned subsidiary of RWE. As the

Petition further states, pursuant to a petition filed with the Authority by Tennessee-American on December 12, 2001, the Authority issued an Order on February 4, 2002 in Docket No. 01-01116 approving the transfer of ownership of AWW to Thames Holdings.

The *Petition* states that because of the size and complexity of the transaction and the length of time between the execution of the Merger Agreement and the closing of the transaction, which may be as long as eighteen (18) months, Tennessee-American requests that RWE be allowed the flexibility to elect to transfer the stock of AWW to another entity owned or controlled, directly or indirectly, by Thames Holdings and managed by Thames Water.

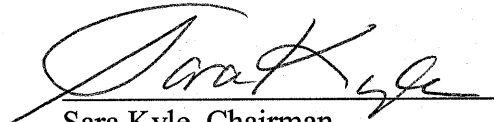
Findings

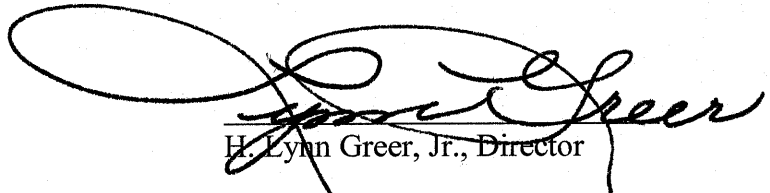
The Directors of the Authority considered this matter at the April 16, 2002 Authority Conference. Based upon careful consideration of the *Petition*, the Authority finds and concludes as follows:

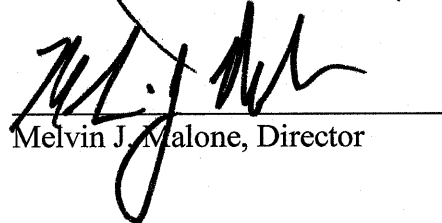
1. The Authority has jurisdiction over the subject matter of this *Petition* pursuant to Tenn. Code Ann. § 65-4-113;
2. Tennessee-American Water Company has been granted authority to provide water services in Tennessee;
3. Control of Tennessee-American Water Company's parent, American Water Works, will be transferred to Thames Water Aqua Holdings GMBH, a subsidiary of RWE Aktiengesellschaft, or to another entity owned or controlled, directly or indirectly, by Thames Water Aqua Holdings GMBH and managed by Thames Water Plc, resulting in a transfer of the authority to provide utility services granted to Tennessee-American;
4. Approval of the transfer of authority is appropriate pursuant to the provisions of Tenn. Code Ann. § 65-4-113.

IT IS THEREFORE ORDERED THAT:

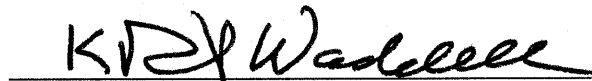
1. The *Petition* of Tennessee-American Water Company for approval of the transfer of authority described herein is approved; and
2. Any party aggrieved by the Authority's decision in this matter may file a *Petition for Reconsideration* with the Authority within fifteen (15) days from and after the date of this Order.


Sara Kyle, Chairman


H. Lynn Greer, Jr., Director


Melvin J. Malone, Director

ATTEST:


K. David Waddell, Executive Secretary